Keep
1996 #1

Anadime Corporation Annual Report

ANADIME CORPORATION 1996 ANNUAL REPORT

Anadime Corporation is Western Canada's fastest growing oilfield waste management company.

Anadime has designed a practical and environmentally sound process for the recovery of oil and the processing and disposal of oilfield waste, and is developing a continent wide network of oilfield waste management facilities.

Headquartered in Calgary, Alberta, Anadime's stock is traded on the Alberta Stock Exchange under the symbol AEM.

Our Mission is to provide environmentally sound oilfield processing, oil recovery and oifield waste disposal services to our customers.

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Financial & Operating Highlights

Financial Highlights

	April 30,1996	April 30,1995	April 30, 1994
Revenues from continuing operations ($)	780	208	0
Net loss from continuing operations ($)	(291)	(130)	(162)
Net loss per share from continuing operations ($)	(0.014)	(0.007)	(0.010)
Common shareholders' equity ($)	864	(226)	615
Working capital (deficiency) ($)	(591)	85	(477)
Capital expenditures ($)	1738	757	7
Common shares outstanding	30,283,295	19,493,834	17,717,834
Employees	25	24	24

Operating Highlights

First Quarter

Permit received for Hays oilfield waste management facility.

Second Quarter

Sold British Columbia solid waste operation.

Commenced construction of Hays oilfield waste management facility.

Third Quarter

Permit application submitted for Provost oilfield waste management facility.

Startup of Hays oilfield waste management facility, January 18, 1996.

Raised $255,000 in private placement funds.

Raised $500,000 in term loan financing.

Fourth Quarter

Raised $511,500 in private placement funds.

Converted $712,000 of the 9% debentures into common shares.

Letter to Shareholders

Fiscal 1996 continues the focussed growth of Anadime's oilfield waste management business. Now recognized as a rapidly growing leader in providing oilfield processing and waste management services, Anadime continues to expand its horizons into market segments that extend the company's reach of opportunities. In order to stay focussed on the specific needs of our oil and gas industry customer base, we are aggressively pursuing new projects and locations throughout Western Canada.

Anadime's sales for fiscal 1996 rose to $780,000, a 275% increase when compared with 1995 revenue of $208,000. Sales for fiscal 1997 are forecast to increase by a similar percentage.

Anadime's success over the past two years has been a function of listening to our customers and finding ways to satisfy their business requirements. At Hays, the plant was recently pipeline connected and a heavy oil processing section was added. The expansion allows the Company to process significant volumes of heavy oil being produced locally as a result of horizontal drilling into an existing pool. At Stettler, additional processing capacity was installed during the second quarter to allow the Company to handle greater volumes from a local horizontal well discovery.

In our 1995 annual report, we presented specific goals for the 1996 fiscal year. We said that we would process 588,000 bbls of oil and oilfield waste, dispose of 308,000 bbls of water, and ship 6,500 tonnes of dried

In a market defined by cost of service, Anadime has become a driving force in lowering costs for its oil industry customers.

processed sludge to landfill. We processed 439,800 bbls of oil and oilfield waste, disposed of 394,100 bbls of water, and shipped 2,807 tonnes of sludge. We hoped to be operating a third plant before the end of fiscal 1996, but permitting issues delayed the project. We now estimate a November 1 starting date for this plant, which will be located in Provost, Alberta. For 1997, we forecast we will process 768,000 bbls of oil and oilfield waste, dispose of 714,000 bbls of water, and 9,000 tonnes of dried processed sludge from our three Alberta based plants.

Management is focussed on the development of new projects. The permitting process is long and drawn out; AEUB approvals are taking 6 months, while the issuance of development permits by the municipality is closely tied to getting community acceptance of plant locations. New locations will be announced once development permits are in hand.

These are exciting times for Anadime. We continue to grow at a rapid rate, a significant accomplishment when viewed in the context of recent changes in our business focus. In a market defined by cost of service, Anadime has become a driving force in lowering costs for its oil industry customers.

Our greatest challenge will be to continue to maximize our ability to take advantage of the opportunities that lie ahead. Staying close to our customers has become more important than ever. With that commitment in mind, we thank all of our customers, partners, suppliers, shareholders and employees for their support.

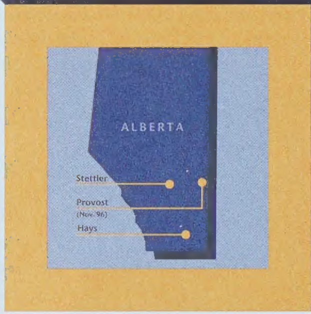
Owen C. Pinnell
President & C.E.O.

Jake Halldorson
Chairman of the Board

Review of Activities

> Anadime's plant
> utilize the latest in processin
> technology, an
> contain unique concepts...
> concepts that are at the heart o
> all of the company's solutions

Developing new processing and disposal projects is the primary approach Anadime utilizes to provide growth for the Company. This approach is based on carefully selecting locations giving due consideration to pipeline and road access, environmental considerations, community support and the competitive environment.



Anadime's competitive advantage comes from its technical expertise in the business, this technical expertise being a result of the many years of experience amongst the management of the Company. Anadime is the fastest growing oilfield processing and waste management company in Western Canada.

The Company currently operates full service oilfield processing and disposal facilities at Stettler and Hays, and has a third plant starting construction at Provost.

Stettler

The Stettler area of central Alberta was the Company's first plant location, and it was at this location that the Company refined its plant design and first installed some of the innovative processing concepts that are now standard at all plants. Being the low cost operator in central Alberta has allowed the Company to compete effectively with its competitors. We are winning contracts even when the distance from customer field locations to Stettler result in higher transportation costs.

Central Alberta is a primary core exploration area for many oil and gas companies. The area remains as active today as it was in the 50's and 60's and the steady levels of drilling and production activities result in consistent business levels at the plant.

Hays

The Hays plant commenced operations in January 1996 and its full financial contribution is only just being felt. For this first quarter of the 1997 fiscal year, Hays operating results are exceeding budget. The business environment in Hays, both from a competitive and business mix standpoint, is different from Stettler. However the plant design is very similar with the exception of a heavy oil processing section which was installed in the spring.

Southern Alberta is also a core exploration area for many companies. Business activity, especially for the treating of heavier oil and the reclamation of oilfield waste, is very strong and there are opportunities to further expand our market.

Provost

Provost is the location for the third Anadime full service oilfield processing and waste disposal facility. The plant is being constructed at LSD 1-1-40-3-W4M, 8 km north of Provost, in northeast Alberta. All of the necessary government approvals to construct the facility have been received and the plant is expected to be operational in November 1996.

Again, eastern Alberta is a core exploration area for companies focusing on shallower and heavier oil prospects. The area is also on the southern edge of the heavy oil development taking place in northeast Alberta. The plant will service the Saskatchewan heavy oil market as well as the Alberta areas mentioned above.

Future projects

The Company has three new projects in permitting and an additional four locations selected for further investigation. Although the Company's entrance into the oilfield processing and disposal market in western Canada has impacted the competitive environment, management believes that its technical approach and resulting lower cost operations will quickly establish the Company as a leader in the business.

The goal is a western Canada wide network of facilities. The plan is in place and the steady addition of new facilities will make the goal a reality.

Management's Discussion and Analysis

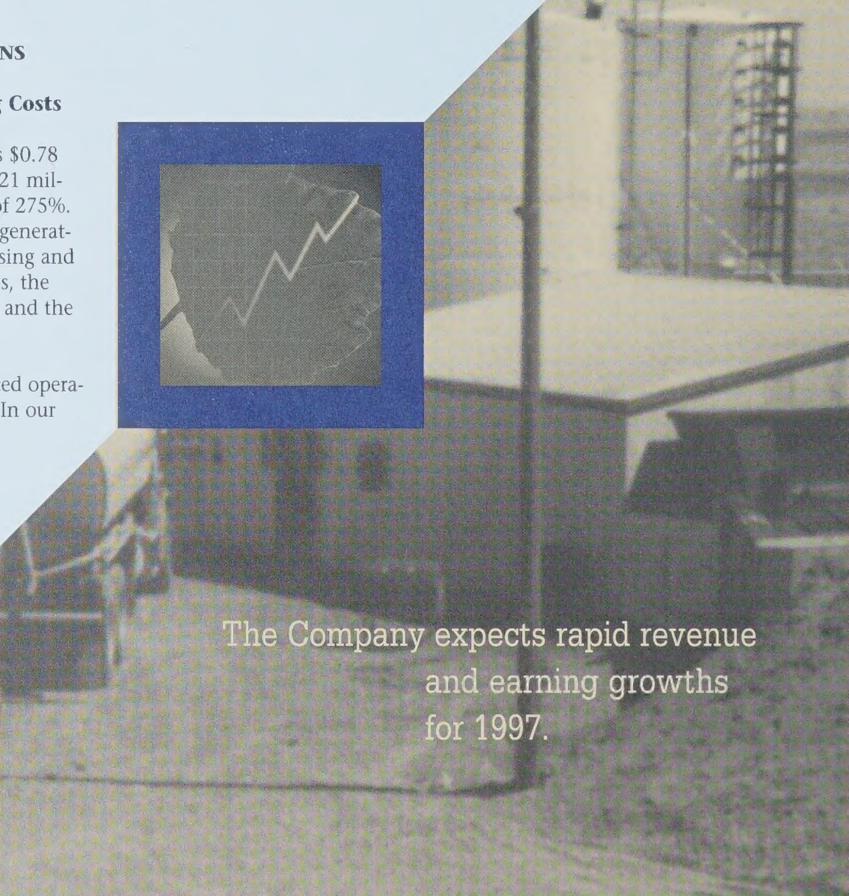
There were many successes at Anadime during 1996. The Company's total asset base doubled, from $1.5 million to $2.9 million with the completion of the Hays oilfield processing and waste management facility. The non-core solid waste operation in British Columbia was sold and the funds reinvested into the expansion of the Alberta operations. We continue to enjoy the confidence of our investors. During 1996, $1.5 million was added to share capital through new share issues and debt conversions. Business at both the Stettler and Hays facilities is on budget and the Company expects rapid revenue and earning growths for 1997.

RESULTS OF OPERATIONS

Revenue and Operating Costs

Gross revenue for 1996 was $0.78 million as compared to $0.21 million for 1995, an increase of 275%. The Company's revenue is generated from two oilfield processing and waste management facilities, the 44% owned Stettler facility and the 100% owned Hays facility.

The Hays facility commenced operations in late January 1996. In our 1995 annual report, we estimated that revenue would exceed $1 million for 1996. We did not meet this goal as delays in permit approval and financing caused the



Hays facility to be constructed three months later than scheduled. In addition, the record cold winter we experienced significantly curtailed oilfield activities and the Company's revenue for the fourth quarter. These setbacks are temporary and we forecast that 1997 gross revenues will exceed $2 million from the Stettler and Hay facilities alone, before taking into consideration of the revenue to be contributed from the Provost facility.

Operating costs for 1996 were $0.74 million, as compared to $0.15 million for 1995. The gross margin for 1996 was 5.6% and 29.3% for 1995. For the most parts, operating costs do not fluctuate significantly with sales volumes but may be negatively impacted by weather. The Company has implemented additional cost monitoring procedures which will more effectively respond to changes in operating environment.

Corporate Expenses

General and administrative expenses increased by $0.02 million, from $0.09 million in 1995 to $0.11 million for 1996. Interest expense for 1996 was $0.12 million as compared to $0.05 million for 1995. Both the Hays and Stettler facilities were partially financed through long term debt. Interest expense for 1996 included a full year of interest on the 9% Convertible Debentures.

Income Taxes

Due to the losses incurred in the current and prior years, the Company has not been required to pay any income taxes. The accumulated losses to-date and the available assets pools will offset any income tax payment needs for the near future. The tax benefits of these losses have not been recorded in the consolidated financial statements but will be recognized in the year the benefits are utilized.

Earnings

For 1996, the Company incurred a net loss of $0.29 million from the oilfield waste management operations, as compared to a loss of $ 0.13 million for 1995. Loss per share for 1996 and 1995 was $0.014 and $0.007 respectively. Loss per share after discontinued operations was $0.017 as compared to $0.056 for 1995.

Liquidity and Capital Resources

Mainly as a result of a lower than expected profit margin, the Company incurred a cash flow deficiency from operations (before adjustments for changes in non-cash working capital items) of $0.26 million, as compared to $0.05 million for 1995.

During 1996, the Company invested $1.74 million in capital with most of the funds being spent on the construction of the 100% owned Hays oilfield waste processing and disposal facility.

As a refocused company with a relatively short operating history in Alberta, securing additional capital was a challenge. Our successes are attributed to the Company's solid reputation and the strong relationships we have with our investors. In January 1996, the Company completed a $0.5 million term loan financing. As well, $0.81 million of new equity was raised through private placements of shares and warrants and through the exercise of stock options. These funds were used for the construction of the Hays facility. Another $0.64 million was added to share capital through debt conversions, most significantly through the conversion of $712,000 of the 9% Convertible Subordinated Sinking Fund Debentures (the "Debentures"). As at April 30, 1996, Anadime has a debt to equity ratio of 1.1 to 1, a significant improvement over the previous year.

The Company has outstanding 30,283,295 common shares as at April 30, 1996. Subsequent to the year end, an additional $301,000 of the Debentures was converted to 2,006,665 common shares resulting in an improved debt to equity ratio of 0.54 to 1. On a proforma basis, the Company's long term debt balance was reduced to $0.63 million and shareholders' equity was increased to $1.16 million. As at the date of this Annual Report, the Company has issued and outstanding 32,289,960 common shares.

Risk Assessment and Financial Outlook

In the oilfield waste management operations, the major risk comes from the volatile commodity prices and the regulatory environment in which the Company operates. Management must be cognizant of changes in the regulatory environment and be sensitive to the needs and concerns of the public. In addition, Anadime has made an impact on the industry and changed the competitive environment in its area of operations. To improve on our growth and profitability, we must be proactive in responding to customer concerns and needs, and add facilities to our current two plant network.

We have recently moved our Calgary head office into a new and larger location, signifying the start of the next phase of the Company 's expansion. To meet the goals established for 1997, the Company needed to secure the necessary capital and government permits for the Provost facility on a timely basis. We have now received all of the government permits and are close to making a decision on the required financing. With each additional year of operating results, the task of selecting financing options becomes easier. The Company's biggest challenge in the upcoming year is to determine the best route to accelerate asset and earning growths.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Anadime Corporation (the "Company") and all information in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include some amounts that are based on management's best estimates. Financial and operating data elsewhere in the Annual Report are consistent with the information contained in the consolidated financial statements.

In fulfilling their responsibilities, management of the Company and its subsidiaries maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparation of the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements included in this Annual Report principally through its Audit Committee, consisting solely of outside directors. The external auditors have full access to the Audit Committee, with and without the presence of management. The consolidated financial statements have been audited by KPMG, Chartered Accountants and their report follows.

Owen C. Pinnell, P. Eng.
President and Chief Executive Officer

Gloria K. Wong, C.A.
Controller and Secretary-Treasurer

Calgary, Canada July 15, 1996

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Anadime Corporation as at April 30, 1996 and 1995 and the consolidated statements of operations and deficit and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1996 and 1995, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountants

KPMG

Calgary, Canada
July 15, 1996

CONSOLIDATED BALANCE SHEETS

April 30, 1996 and 1995

Assets	1996	1995
Current assets		
Accounts receivable	$ 448,903	$ 178,132
Net assets from discontinued operations (note 6)	-	455,000
Prepaid expenses and deposits	23,509	5,879
	472,412	639,011
Capital assets (note 2)	2,387,986	876,101
	$ 2,860,398	$ 1,515,112
Liabilities and Shareholders' equity		
Current liabilities		
Bank indebtedness (note 3)	$ 142,647	$ 71,933
Accounts payable	799,453	425,634
Current portion of debt (note 4)	121,212	56,700
	1,063,312	554,267
Debt (notes 4 and 9)		
Capital leases	105,469	9,795
Debentures	464,000	1,233,500
Bank term loans	485,200	-
	1,054,669	1,243,295
Less current portion	(121,212)	(56,700)
	933,457	1,186,595
Shareholders' equity (Deficiency in assets) (note 9)		
Share capital (notes 5 and 9)	3,323,389	1,872,895
Deficit	(2,459,760)	(2,098,645)
	863,629	(225,750)
	$ 2,860,398	$ 1,515,112

See accompanying notes to consolidated financial statements

Director

Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended April 30, 1996 and 1995

	1996	1995
Revenue	$ 780,125	$ 207,484
Expenses		
Operating costs	736,192	146,728
General and administrative	114,829	92,675
Interest on debt	121,840	49,708
Depreciation and amortization	98,031	48,922
	1,070,892	338,033
Loss from continuing operations	290,767	130,549
Loss from discontinued operations (note 6)	70,348	915,650
Loss for the year	361,115	1,046,199
Deficit, beginning of year	2,098,645	1,052,446
Deficit, end of year	$ 2,459,760	$ 2,098,645
Loss per share		
from continuing operations	$ 0.014	$ 0.007
after discontinued operations	$ 0.017	$ 0.056

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended April 30, 1996 and 1995

	1996	1995
Operating activities:		
Loss from continuing operations	$ (290,767)	$ (130,549)
Item not involving cash		
Depreciation and amortization	98,031	48,922
Cash (used by) continuing operations	(192,736)	(81,627)
Cash (used by) from discontinued operations (note 6)	(70,348)	26,736
Cash (used by) operations	(263,084)	(54,891)
Decrease (increase) in non-cash working capital	540,418	(226,558)
	277,334	(281,449)
Investing activities:		
Acquisition of capital assets		
- continuing operations	(1,737,652)	(757,451)
- discontinued operations	-	(81,539)
Proceeds from disposal of capital assets		
- continuing operations	-	30,500
- discontinued operations	-	97,360
Net proceeds from disposal of discontinued operations	-	503,124
	(1,737,652)	(208,006)
Financing activities:		
Settlement of debt	(794,222)	(556,421)
Issuance of common shares	1,597,600	205,500
Increase in debt	605,596	1,122,000
Deferred financing charges	(19,370)	(157,626)
	1,389,604	613,453
Increase (decrease) in cash	(70,714)	123,998
(Bank indebtedness), beginning of year	(71,933)	(195,931)
(Bank indebtedness), end of year	$ (142,647)	$ (71,933)

See accompanying notes to consolidated financial statements

The Company is incorporated under the Business Corporations Act (Alberta) and its principal business activity is waste management services.

1. Significant accounting policies

The following accounting principles and practices are set forth to facilitate the understanding of data presented in the consolidated financial statements.

(a) Basis of presentation

The consolidated financial statements include the accounts of Anadime Corporation and its wholly-owned subsidiary, Anadime Processing & Disposal Inc. The operations of Anadime Waste Inc., another wholly owned subsidiary, was discontinued and the Company's investment is recorded at net realizable value (note 6).

The Company has an investment in Anadime Processing and Disposal Limited Partnership (the "Limited Partnership") and these financial statements include the Company's proportionate interest in the Limited Partnership. The Company also acts as the Managing Partner and, under the Limited Partnership Agreement, is eligible to recover a portion of the Company's general overhead expenses from the Limited Partnership.

(b) Capital assets

All revenue and expenses related to facilities under construction are capitalized as plant and equipment costs until the projects commence commercial operation.

Costs related to the evaluation and development of new projects are deferred until the decision is made on the viability of the projects. Capitalized costs related to abandoned projects are expended in the year such determination is made. Costs related to approved projects are included with plant and equipment.

Issue costs related to debt financing are capitalized as deferred financing charges. The costs related to the incorporation and development of the oilfield waste management operations of Anadime Processing & Disposal Inc., including general and administrative costs, have been capitalized as start-up costs.

The capital assets are depreciated on the following basis:

Plant and equipment	straight line, over estimated useful lives
Furniture and fixtures	straight line, over three to five years
Start-up costs	straight line, over five years
Deferred financing charges	straight line, over term of related debt

2. Capital assets

1996	Cost	Accumulated Depreciation & Amortization	Net Book Value
Plant and equipment	$ 2,233,009	$ 83,610	$ 2,149,399
Furniture and fixtures	99,018	19,581	79,437
Start-up costs	65,582	18,581	47,001
Deferred financing charges	19,370	807	18,563
Projects under development	93,586	-	93,586
	$ 2,510,565	$ 122,579	$ 2,387,986

1995	Cost	Accumulated Depreciation & Amortization	Net Book Value
Plant and equipment	$ 583,958	$ 14,879	$ 569,079
Furniture and fixtures	48,313	4,204	44,109
Start-up costs	65,582	5,465	60,117
Deferred financing charges	157,626	10,520	147,106
Projects under development	55,690	-	55,690
	$ 911,169	$ 35,068	$ 876,101

General and administrative costs of $65,582 were capitalized as start-up costs in 1995. Also in 1995, revenue and operating costs in the amount of $19,127 and $29,349 respectively were netted and capitalized as plant and equipment costs.

3. Bank indebtedness

The bank indebtedness is secured by a general assignment of accounts receivable and bears interest at prime plus 1.5% per annum.

4. Debt

(a) Capital leases

	1996	1995
	$ 105,469	$ 9,795

The capital leases are secured by specific assignments over certain capital assets, with interest charged at rates ranging from 10.9% to 19.0% (1995 - 15.27%). Minimum lease payments are as follows:

1997	$ 47,590
1998	47,254
1999	35,383
Total minimum lease payments	$ 130,227

(b) Debentures

	1996	1995
Convertible Subordinated Sinking Fund Debentures	$ 464,000	$ 1,181,000
Debentures, issued to certain directors and a former officer of the Company, with interest at 7.5% per annum, due June 1, 1995	-	52,500
	$ 464,000	$ 1,233,500

The Convertible Subordinated Sinking Fund Debentures (the "Debentures") mature on July 15, 2004 and bear interest at 9% per annum payable semi-annually on June 1 and December 1. They are convertible into Class A common shares at $0.15 per share on or before July 14, 1996 and at $0.20 per share thereafter to the Debentures' maturity date. The Company may, at its option and subject to certain restrictions, redeem the Debentures in whole or in part at any time after July 15, 1996. Commencing for the year ending July 15, 1997 and for each year thereafter, the Company is required to purchase for cancellation 4% of the outstanding Debentures at par.

During 1996, $712,000 of the Debentures were converted to 4,746,657 Class A common shares (note 5). In addition, $5,000 of the Debentures were purchased at par and cancelled. See note 9 for subsequent event.

The 7.5% debentures were converted to Class A common shares on June 9, 1995 (note 5).

(c) Bank term loans

	1996	1995
Loan 1	$ 195,200	$ -
Loan 2	290,000	-
	$ 485,200	$ -

The bank term loans bear interest at the lender's Floating Base Rate plus 3.5% per annum payable monthly. In addition, the Company is required to pay an administration fee in the amount of $78,000, payable in thirteen equal quarterly installments of $6,000 each. Loan 1 is repayable over seven years at $2,400 per month and Loan 2 is repayable over five years at $5,000 per month. The loans are secured by a first charge on certain assets and by a floating charge on all other assets of the Company. As part of the loan agreement, the Company issued to the lender a warrant entitling it to purchase 100,000 common shares of Anadime Corporation at $0.15 per share at any time up to February 12, 1999.

5. Share capital

(a) Authorized

Unlimited Class A common voting shares

Unlimited Class B common non-voting shares

Unlimited preferred shares issuable in series

(b) Issued

Class A shares	Number of Shares	Consideration
Balance, April 30, 1994	17,717,834	$ 1,667,395
Issued on exercise of private placement warrants	760,000	76,000
Issued on conversion of 7.5% debentures	916,000	114,500
Issued on exercise of options	100,000	15,000
Balance, April 30, 1995	19,493,834	$ 1,872,895
Issued on conversion of 7.5% debentures	420,000	52,500
Issued on exercise of warrants pursuant to 7.5% debentures	200,400	25,050
Issued in settlement of interest payable on 7.5% debentures	212,404	26,550
Issued for cash	5,110,000	766,500
Issued on exercise of options	100,000	15,000
Issued on conversion of 9% debentures	4,399,990	660,000
Issuable on conversion notice received on 9% debentures	346,667	52,000
Deferred financing charges on 9% debentures	-	(147,106)
Balance, April 30, 1996	30,283,295	$ 3,323,389

The 1,500,000 shares issued in 1993 on the purchase of Anadime Waste Inc. have restricted transfer and voting rights pursuant to two shareholder agreements expiring April 30, 1997.

(c) Shares reserved

The Company has a stock option plan ("the Plan") pursuant to which options to purchase Class A common shares of the Company may be granted to Company directors, officers, employees and consultants. Under the Plan, no greater than ten percent of the issued and outstanding Class A common shares of the Company from time to time may be reserved for issuance pursuant to the exercise of options granted. As at April 30, 1996, options to acquire 1,353,333 (April 30, 1995 - 1,588,333) common shares were outstanding under the Plan. These options are exercisable over a five year period ending December 8, 2000, at $0.15 per share.

Under a private placement in April, 1996, the Company issued 3,410,000 Class A common shares and 1,705,000 warrants at a price of $0.15 per one Class A common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one Class A common share at $0.25 per share on or before October 20, 1997. Pursuant to the bank loans agreement, 100,000 Class A common shares had been reserved for the exercise of warrants at $0.15 per share on or before February 12, 1999.

6. Discontinued operations

Effective August 31, 1995, the operations and capital assets of Anadime Waste Inc. were sold for $825,000 in cash. This transaction was recorded in the April 30, 1995 Consolidated Financial Statements of the Company. Loss from discontinued operations for the year ended April 30, 1995 included loss from operations in the amount of $165,840 and loss on the disposal of operations in the amount of $749,810. As at April 30, 1996, the Company's investment in Anadime Waste Inc. was written off and an additional loss of $70,348 was recorded.

7. Related party transactions

The Company financed the purchase of certain capital assets through Anadime Leasing Inc. ("Leasing"), a company owned 50% by an officer of the Company, for $3,500 (1995 - $5,900) per month. Included in long-term debt is $91,990 (1995 - $Nil) payable to Leasing.

The Company incurred engineering fees of $39,400 (1995 - $21,700) from a company in which a Director of the Company is a partner.

The Company incurred $12,700 (1995 - $73,400) in legal fees from a law firm in which a Director of the Company is a partner.

8. Taxation

As at April 30, 1996, the Company had non-capital losses of approximately $1,600,000 available to reduce future taxable income. These losses expire from time to time after the fiscal year ending 1999. The tax benefit of these losses has not been recorded in the consolidated financial statements.

9. Subsequent event

Subsequent to year end, an additional $301,000 of the Debentures were submitted for conversion to Class A common shares at $ 0.15 per share. A total of 2,006,665 common shares were issued. As at July 15, 1996, long term debt balance was reduced to $632,457 and shareholders' equity was increased to $1,164,629.

Corporate and Operating Directory

Directors

Jake Halldorson
Chairman of the Board
Manager New Technology
Colt Engineering Corporation

Owen Pinnell
President & C.E.O.
Anadime Corporation

Gedd Cantwell
Investment Banker
Richardson Greenshields of Canada Limited

Jim Coleman
Lawyer
Macleod Dixon

Officers

Owen C. Pinnell
President & C.E.O.

Gloria Wong
Controller & Secretary Treasurer

Transfer Agent and Registrar

Montreal Trust Company
Calgary, Alberta

Auditors

KPMG
Calgary, Alberta

Legal Council

Macleod Dixon
Calgary, Alberta

Stock Exchange

Alberta Stock Exchange
Symbol: AEM

Regional Offices

P.O. Box 781
Stettler, Alberta
T0C 2L0
Tel: (403) 742-5414
Fax: (403) 742-6300

General Delivery
Vauxhall, Alberta
T0K 2K0
Tel: (403) 725-2241
Fax: (403) 725-2256

Provost, Alberta

Stock Market Information

	1996		1995		1994	
	High	Low	High	Low	High	Low
First Quarter	.18	.13	.17	.13	.19	.09
Second Quarter	.18	.12	.16	.12	.15	.08
Third Quarter			.15	.10	.15	.10
Fourth Quarter			.18	.10	.18	.10

ANNUAL
GENERAL MEETING

Calgary, Alberta
The Palliser Hotel
Tuesday
September 17, 1996
at 2:30 pm

Printed in Canada on recycled paper

ANADIME

Anadime Corporation

Annual Report

ANADIME CORPORATION 1996 *Annual Report*

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Anadime Corporation provides oilfield processing and disposal services to the oil and gas industry in western Canada and is actively developing a network of facilities throughout North America. Developing new processing and disposal projects is the primary approach Anadime utilizes to provide growth, and the Company's competitive advantage comes from its technical expertise in the business. Anadime currently operates facilities throughout western Canada, at Stettler, Hays, Provost and Niton Junction and is developing a ten plant network across the region.

Headquartered in Calgary, Anadime's shares are traded on the Alberta Stock Exchange under the symbol AEM.

Mission Statement

Our mission is to provide environmentally sound oilfield processing, oil recovery and oilfield waste disposal services to our customers.

Financial and Operating Highlights

Financial Highlights

	Eight months ended December 31, 1996	Twelve months ended April 30, 1996
Revenue ($)	2,180,080	780,125
Net income (loss)($)	340,863	(361,115)
Earnings (loss) per share ($)	0.01	(0.02)
Return on net revenue	15.6%	–
Cash flow ($)	477,090	(263,084)
Cash flow per share ($)	0.01	(0.01)
Capital expenditures ($)	3,418,978	1,737,652
Debt ($)	1,573,893	1,054,669
Debt to equity	0.49:1	1.22:1
Debt to cash flow	3.30:1	–
Return on capital employed	6.0%	–
Total assets ($)	6,465,078	2,860,398
Shareholders' equity ($)	3,233,772	863,629
Return on shareholders' equity	10.5%	–
Working capital (deficiency) ($)	(1,151,289)	(590,900)

Operating Highlights

1st quarter Opened Hays oilfield processing and disposal facility in January 1996.

2nd quarter Raised $511,500 in private placement funds.

Received regulatory approvals to construct a full service oilfield processing and disposal facility in Provost, Alberta.

3rd quarter Raised $765,000 in private placement funds.

Purchased remaining 56% of the Stettler facility by issuance of common shares.

4th quarter Converted 9% redeemable debentures into common shares.

Letter To The Shareholders

During Anadime's two year history in the oilfield service business, the pace of development and innovation has been quite rapid. The past year stands out both for the addition of new facilities and processes, and the broad recognition that Anadime has received from its customers and shareholders. Our business delivered sharply improved results, flowing from sustained efforts throughout the organization, to deliver on forecasts made to our shareholders twelve months earlier. These efforts were complemented by record levels of activity in the oil and gas industry throughout western Canada.

Anadime's sales for fiscal 1996 (eight months only due to the change in year end) were $2,200,000, a 179% increase when compared with revenue of $780,000 for the previous year. Sales for fiscal 1997 are forecast to increase by a similar percentage. We exited the 1996 fiscal year with two operating plants and by mid January 1997 had four operating plants. The new Provost plant was commissioned in early January and the acquisition of Cutbank Oil Treatment Facilities at Niton Junction, effective January 1, added a fourth operating facility. During 1997 we intend to add more capacity with the construction of a new facility at Morinville, an expanded waste processing plant at Niton Junction, and at least one other facility in western Canada. In addition, management is working on several new locations and will always be opportunistic with acquisitions.

In our last annual report, we presented specific goals for the fiscal year ending April 30, 1997. We said that we would process 768,000 bbls of oil and oilfield waste, dispose of 714,000 bbls of water and dispose of 9,000 tonnes of dried sludge for the year ending April 30, 1997. *We recently changed our year end to December 31* and as a result our past fiscal year was only eight months long. On an annualized basis, we estimate that the Company processed 791,000 bbls of oil and oilfield waste, disposed of 751,000 bbls of water, and shipped 19,000 tonnes of dried sludge to landfill. For the 1997 fiscal year we forecast that we will process 3,048,000 bbls of oil and oilfield waste, dispose of 1,641,000 bbls of water and ship 27,000 tonnes of dried sludge to landfill. We believe that by meeting these targets on a continuous basis, we will give shareholders and potential investors confidence in our ability to project the Company's fortunes.

During the past year, our growth has been directed at expanding our network of oilfield processing and disposal facilities across western Canada, with the aim of owning ten operating plants by the end of fiscal 1998. As a company, we are focussed on developing a leadership position in our industry in North America, and during the next year we will be reviewing our business plan, and making key decisions on our business focus into the next century. Our challenge is to continue to expand our core business, maintaining revenue and earnings growth, while at the same time sowing the seeds of growth for business, that goes beyond the targets of our existing business plan. Overriding all else, we will always endeavour to develop a technology advantage in any particular business segment that we enter.

Our role now is to rapidly exploit the current market opportunity resulting from energy industry activity and regulatory pressure. We must build on our successes and strong market position in the oilfield waste management business, to provide a cost effective service that ultimately lowers operating costs for our energy industry customers. We will continue to stay close to our customers, endeavouring to meet their ever changing needs, while at the same time maintaining our focus on creating value for our shareholders, through steady performance gains and profitable growth. Again we must recognize the contribution of our directors and employees, who continue to enable us to meet our annual goals.

Owen C. Pinnell, P.Eng. President and CEO

Jake Halldorson, P.Eng. Chairman of the Board

Our business delivered sharply improved results, flowing from sustained efforts throughout the organization, to deliver on forecasts made to our shareholders twelve months earlier.

Oilfield Processing and Disposal Services

In all, 1996 was a year during which we lowered processing and disposal costs for our customers, by improving our plant processes and by adding processing plants in unserviced locations, thereby reducing transportation costs. We entered 1996 with two operating plants, successfully executed our 1996 business plan, and entered 1997 with four operating plants. During the 1997 fiscal year we will add another two operating locations to our network.

We now service most of central Alberta and operate full service facilities in Stettler, Hays, Provost and Niton Junction. During the 1997 fiscal year, we plan to add two more plants, de-bottleneck Provost and expand the waste processing section of the newly acquired Niton Junction plant. Adding to this momentum, we are in the process of permitting plants in the Pembina area, and in Elk Point, Bonnyville, and SE Saskatchewan. Heavy oil development seems to be a long term trend in Alberta, with technology having reduced the price sensitivity and therefore the uncertainty associated with past development in the area. This marketplace offers the Company significant opportunity, and management is busy developing the strategy and processes that will result in plants being built at Elk Point and Bonnyville during 1998.

Throughout our organization we have a philosophy of continual improvement grounded on innovation and technology development. We are constantly working to improve the processes used to separate oil, water and sludges. This effort is focussed in two areas: firstly on breaking the often difficult emulsions received at our plants, by the most cost effective means and; secondly, on getting the sludge by-product as clean and dry as possible. Incremental improvements in both areas will lower our costs, allowing us to become the low cost operator in our business. We will ultimately pass these savings onto our customers, at the same time maintaining healthy operating margins.

In an effort to keep our current and future shareholders well informed on the business opportunities and challenges facing the Company, we will endeavour to comment in detail on any matters of significance and concern. There are always opportunities, but due to external factors such as regulations, competition, and commodity prices, our success will always rely on management making the appropriate strategic decisions. The following paragraphs attempt to describe the opportunities and challenges facing the Company today.

The Opportunity Anadime is providing oilfield processing, waste management and oil recovery solutions to its customers from an expanding network of oilfield waste management facilities across western Canada and eventually in the southern states of the US. The Company is pursuing the business opportunity created by two separate and distinct factors. Firstly, throughout the oil and gas industry there is a growing awareness of the need to pursue sustainable development policies, and the regulatory environment has slowly changed to reflect this reality. Much of the recent growth in the marketplace has been driven by this changing regulatory environment. Secondly, a restructuring of the oil and gas industry in western Canada has led to a surge in exploration and development activity,

particularly in the heavy oil sector, creating an expanding demand for the Company's processing and disposal services. The combination of these two market drivers has created an opportunity for the Company to exploit its technical advantages and capture market share. With the market in western Canada alone forecasted to grow to $150,000,000 by the turn of the century, and Anadime aiming to capture up to 50% of this market, the opportunity is significant.

we have a philosophy of continual improvement grounded on innovation and technology development

The Challenges. The Company is experiencing challenges in three areas; the permitting of oilfield waste management facilities is a long and drawn out process, requiring patience, perseverance and good relationship building skills. The AEUB (Alberta Energy and Utility Board) permitting process in itself is at least a six month process. Adding to this effort however is the need for a development permit from the hosting community. The public meetings required to meet municipal requirements are always a challenge, creating much uncertainty right up until the time a permit is issued. The second challenge is competition, from existing operators and from new market entrants. How do we anticipate and respond to competition in our existing markets? We just cannot wait for a competitor to make a move before deciding how to act. What approach should we take when competitors announce developments in our existing or planned locations?

We are attempting to meet these challenges by maintaining an intense focus on competitors throughout our organization. At the project development stage we are taking innovative approaches that attempt to redefine competitive segments of our business. In addition we are minimizing the capital investment needed in highly competitive situations. The third area in which we are challenged is staffing. With the Company growing at over 200% per year, staffing the organization with suitably qualified people continues to be an issue. A training program has been implemented, and the Company hopes to be able to train people quickly enough to ensure suitably qualified supervisors and managers can be promoted from within.

Management's Discussion and Analysis

The last two years have seen the Company grow from owning a 44% interest in the Stettler processing and disposal facility, to a company currently servicing most of central Alberta from a four plant network. The Company's investment in the oilfield processing and disposal business has resulted in accelerated revenue growth and positive earnings. Effective December 31, 1996, the Company changed its fiscal year end from April 30 to December 31. The following discussion of Anadime's financial position and results of operations is for the eight month period ended December 31, 1996 and for the year ended April 30, 1996.

Results of Operations

Earnings Consolidated net earnings for the eight month period ended December 31, 1996 were $0.34 million ($0.01 earnings per share) on revenue of $2.18 million. This compares to consolidated net loss of $0.36 million ($0.02 loss per share) on revenue of $0.78 million for the year ended April 30, 1996. There were two major reasons for the 300% improvement on earnings per share. Internally, the Company added a new facility at Hays, and increased its ownership in the Stettler plant to 100%. Externally, strong oil and gas exploration and development activities, and new oilfield waste regulations, resulted in greater demand for the Company's services.

Revenue Gross revenue for the eight month period ended December 31, 1996 was $2.18 million as compared to $0.78 million for the year ended April 30, 1996, an increase of 179%. Approximately 70% of the increase in revenue can be attributed to corporate growth. Firstly, the Hays facility commenced operation in late January 1996. Accordingly, reported in the April 30, 1996 financial statements were three months of activities from Hays, whereas the December 31, 1996 results included eight months of operations. Secondly, the Company's interest in the Stettler facility was increased from 44% to 100% effective September 1, 1996. Besides growth through the addition of new facilities, significant business volume gains were achieved due to growing industry activity, resulting in increased demand for the Company's services. In our April, 1996 annual report, we estimated that revenue from the Stettler and Hays facilities would exceed $2 million for the twelve month period ending April 30, 1997. That goal was reached prior to December 31, 1996.

Operating Expenses Operating costs for the eight month period ended December 31, 1996 were $1.51 million, as compared to $0.74 million for the year ended April 30, 1996. The gross margin for the current period was 30.8%, as compared to a margin of 5.6% for the year ended April 30, 1996. Operating expenses are comprised primarily of salaries, utilities and fuel, and solid waste disposal charges. Except for solid waste disposal costs, operating expenses do not fluctuate significantly based on business activities. Technical improvements to the Company's waste processing system and increased business volumes resulted in the five fold gains in gross margin.

Corporate expenses General and administrative expenses increased by $0.02 million, from $0.11 million for the year ended April 30, 1996 to $0.13 million for the eight month period ended December 31, 1996. A

The Company's investment in the oilfield processing and disposal business has resulted in accelerated revenue growth and positive earnings.

Gloria Wong, C.A.
Vice President, Finance and CFO

large portion of the increase was related to investor relations expenses, as the Company participated in several investment forums. Interest expense for the eight month period ended December 31, 1996 was $0.07 million as compared to $0.12 million for the year ended April 30, 1996. The decrease in financing costs is attributable to the conversion of the 9% convertible debentures into Class A common shares prior to the semi-annual interest payment date of December 1, 1996

Alan Houghton
Vice President, Project Development
Anadime Processing & Disposal Inc.

Norbert Hollman
Vice President, Operations
Anadime Processing & Disposal Inc

Income taxes The Company utilized $0.34 million of the loss carryforwards for income tax purposes to eliminate taxes otherwise payable Given the Company's expansion plan, the accumulated loss carryforwards at December 31, 1996 and the available asset pools, there should be no income taxes due for the next year. The tax benefits of the loss carryforwards will be recorded in the consolidated financial statements in the year the benefits are utilized.

Liquidity and Capital Resources

Anadime is a fast growing company, with an aggressive plan to develop a network of ten processing and disposal facilities by the 1998 fiscal year end. To finance this growth, we look to operating cash flow to fund replacement capital expenditures and to new equity and/or debt to finance new projects. The Company has a policy of ensuring that financing is in place prior to commencing construction on new projects.

During the eight month period ended December 31, 1996, the Company invested $3.42 million on capital expenditures, as compared to $1.74 million for the year ended April 30, 1996. The majority of the funds were committed to the construction of the Provost facility, which opened in early January 1997, and on the purchase of the remaining 56% interest in the Stettler facility. In addition, expansion capital was spent to increase the processing capacities at the Hays and Stettler facilities.

Record growth in the Company's business resulted in substantial gains in cash flow from operations. Cash flow from operations for the eight month period ended December 31, 1996 was $0.48 million, a $0.74 million improvement from the cash flow deficiency of $0.26 million for the year ended April 30, 1996.

To finance its capital projects, the Company raised $0.77 million through a private placement of shares and warrants. In addition, a bank term loan of $1.50 million was arranged for the construction of the Provost facility, of which $1.05 million was utilized at year end. The purchase of the remaining 56% interest in the Stettler facility did not require any cash outlay. The $0.80 million acquisition was completed through a share offer of 3,201,120 common shares. The Company's share price appreciated during the year, and this allowed management to force conversion of the 9% Convertible Subordinated Sinking Fund Debentures ("Debentures") into common shares. All of the Debentures were converted to shares by year end. At year end, Anadime has a debt to equity ratio of 0.49 to 1. The debt to cash flow ratio of 3.30:1 is misleading because $1.05 million of the debt was for the construction of the Provost plant, which did not commence operations until 1997. On an annualized basis and excluding $1.05 million of the debt, the Company's debt to cash flow ratio would be approximately 0.75:1.

The Company has 39,714,413 common shares outstanding as at December 31, 1996. Effective January 1, 1997, the Company purchased Cutbank Oil Treatment Facilities Inc., a privately owned company, for $2.00 million in cash and 1,000,000 in common shares. This purchase added Niton Junction to the Company's network of facilities. To fund the $2.00 million cash consideration, the Company issued 4,000,000 common shares for $0.40 per share. The remaining funds were raised through the exercise of options and warrants, primarily by the Board of Directors. As at the date of this Annual Report, the Company has 46,407,746 common shares issued and outstanding and 51,325,246 common shares on a fully diluted basis.

Risk Assessment and Financial Outlook

In the oilfield service business, the major risk comes from commodity prices and the regulatory environment in which the Company operates. Price competition is another factor, as more companies enter the market. To mitigate these risks, Anadime is focussing on improving its plant processes, maintaining strong cost controls, implementing high environmental and safety standards, achieving a balanced debt and equity mix, and employing qualified and motivated staff.

The Company took another big leap in early 1997, growing from a two facility operation to four. In addition, we have plans to build two more facilities in 1997. The Company's 1997 capital budget is $7.10 million, of which $2.60 million has already been sourced through equity issues in early 1997. An additional $0.80 million of the capital budget will be funded from the exercise of existing warrants at $0.25 and $0.30 per share. Besides operating cash flow, the Company will need approximately $2.5 million of external funds. Management is currently exploring the various financing options that are available to the Company. The mix of new equity vs debt will depend on various financial considerations, including the impact on earnings per share. The financial outlook for 1997 is for another year of accelerated growth in revenue, earnings and earnings per share

MANAGEMENT'S REPORT

[illegible] accompanying consolidated financial statements of Anadime [illegible] (the "Company") and all information in the Annual Report are [illegible] responsibility of management and have been approved by the Board of [illegible]. The consolidated financial statements have been prepared by [illegible] in accordance with accounting principles generally accepted [illegible] and include some amounts that are based on management's [illegible]. Financial and operating data elsewhere in the Annual [illegible] consistent with the information contained in the consolidated [illegible] statements.

[illegible] responsibilities, management of the Company and its [illegible] maintains a system of internal accounting controls designed [illegible] reasonable assurance that assets are safeguarded from loss or [illegible] use and that the financial records are reliable for prepara[illegible] consolidated financial statements.

[illegible] Directors carries out its responsibility for the consolidated [illegible] included in this Annual Report principally through its [illegible] consisting solely of outside directors. The external audi[illegible] to the Audit Committee, with and without the pres[illegible]. The consolidated financial statements have been [illegible], Chartered Accountants and their report follows.

[illegible] P.Eng
[illegible]

Gloria K. Wong, C.A.
Vice President Finance and CFO

[illegible]
[illegible] 1997

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Anadime Corporation as at December 31, 1996 and April 30, 1996 and the consolidated statements of operations and deficit and cash flows for the eight month period ended December 31, 1996 and the year ended April 30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and April 30, 1996 and the results of its operations and the changes in its financial position for the eight month period ended December 31, 1996 and the year ended April 30, 1996 in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Calgary, Canada
February 21, 1997

Consolidated Balance Sheets

	December 31 1996	April 30 1996
Assets		
Current assets		
Accounts receivable and accrued receivables	**$ 707,838**	$ 448,903
Prepaid expenses and deposits	**57,003**	23,509
	764,841	472,412
Capital assets (notes 2 and 6)	**5,700,237**	2,387,986
	$6,465,078	$2,860,398
Liabilities and Shareholders' equity		
Current liabilities		
Bank indebtedness (note 3)	**$ 406,243**	$ 142,647
Accounts payable and accrued liabilities (note 4)	**1,246,170**	799,453
Current portion of debt (note 4)	**263,717**	121,212
	1,916,130	1,063,312
Long term debt (note 4)	**1,310,176**	933,457
Future site restoration	**5,000**	–
Shareholders' equity		
Share capital (notes 5 and 10)	**5,352,669**	3,323,389
Deficit	**(2,118,897)**	(2,459,760)
	3,233,772	863,629
Subsequent events (note 10)		
	$6,465,078	$2,860,398

See accompanying notes to consolidated financial statements

Director

Director

Consolidated Statements of Operations and Deficit

	Eight months ended December 31, 1996	Year ended April 30, 1996
Revenue	**$ 2,180,080**	$ 780,125
Expenses		
Operating costs	**1,508,471**	736,192
General and administrative	**128,869**	114,829
Interest on debt	**65,650**	121,840
Future site restoration costs	**5,000**	–
Depreciation and amortization	**131,227**	98,031
	1,839,217	1,070,892
Earnings (loss) from continuing operations	**340,863**	(290,767)
Net loss from discontinued operations (note 7)	–	(70,348)
Net earnings (loss) for the period	**340,863**	(361,115)
(Deficit), beginning of period	**(2,459,760)**	(2,098,645)
(Deficit), end of period	**$(2,118,897)**	$(2,459,760)
Net earnings (loss) per share		
from continuing operations	**$ 0.01**	$ (0.01)
after discontinued operations	**$ 0.01**	$ (0.02)

See accompanying notes to consolidated financial statements

	Eight months ended December 31, 1996	Year ended April 30, 1996
Operating activities:		
Net earnings (loss) from continuing operations	**$ 340,863**	$ (290,767)
Items not involving cash		
Future site restoration costs	**5,000**	-
Depreciation and amortization	**131,227**	98,031
Cash flow from (used by) continuing operations	**477,090**	(192,736)
Cash flow from (used by) discontinued operations	–	(70,348)
Cash flow from (used by) operations	**477,090**	(263,084)
Decrease in non-cash working capital	**154,288**	540,418
	631,378	277,334
Financing activities		
Settlement of long term debt	**(536,976)**	(794,222)
Issuance of common shares	**2,029,280**	1,597,600
Increase in long term debt	**1,056,200**	605,596
Deferred financing charges	**(24,500)**	(19,370)
	2,524,004	1,389,604
Investing activities		
Acquisition of capital assets	**(3,418,978)**	(1,737,652)
(Decrease) in cash	**(263,596)**	(70,714)
(Bank indebtedness), beginning of period	**(142,647)**	(71,933)
(Bank indebtedness), end of period	**$ (406,243)**	$ (142,647)
Cash flow from (used by) operations per share	**$ 0.01**	$ (0.01)

See accompanying notes to consolidated financial statements

Eight month period ended December 31, 1996 and Year ended April 30, 1996

The Company is incorporated under the Business Corporations Act (Alberta) and its principal business activities are oilfield processing and oilfield waste processing and disposal.

Effective December 31, 1996, the Company changed its fiscal year end from April 30 to December 31. These consolidated financial statements reflect the Company's activities for the eight month period ended December 31, 1996.

1. Significant accounting policies

The following accounting principles and practices are set forth to facilitate the understanding of data presented in the consolidated financial statements.

(a) Basis of presentation

The consolidated financial statements include the accounts of Anadime Corporation and its wholly-owned subsidiary, Anadime Processing & Disposal Inc. Anadime Waste Inc. is an inactive subsidiary and is recorded at its net realizable value (note 7).

(b) Capital assets

All revenue and expenses related to facilities under construction are capitalized as plant and equipment costs until the projects commence commercial operation.

Costs related to the evaluation and development of new projects are deferred until the decision is made on the viability of the projects. Capitalized costs related to abandoned projects are expended in the year such determination is made. Costs related to approved projects are included with plant and equipment.

Issue costs related to debt financing are capitalized as deferred financing charges.

The capital assets are depreciated on the following basis:

Plant and equipment	straight line, over estimated useful lives
Furniture and fixtures	straight line, over three to five years
Start-up costs	straight line, over five years
Deferred financing charges	straight line, over terms of related debt

(c) Future site restoration

The Company owns and operates oilfield processing and disposal facilities in Alberta. The cost of future site restoration and abandonment, including the costs to dismantle and remove tangible equipment such as the tanks, to clean and dispose of any soil contaminants, and to clean and restore the lease site is estimated based on current regulatory requirements and technology. An annual provision is made based on the useful lives of the facilities. Actual restoration and abandonment costs are applied against the liability as incurred.

2. Capital assets

December 31, 1996	Cost	Accumulated Depreciation & Amortization	Net Book Value
Plant and equipment	$ 5,602,616	$ 185,156	$5,417,460
Furniture and fixtures	129,681	37,935	91,746
Start-up costs	65,582	27,325	38,257
Deferred financing charges	43,870	3,390	40,480
Projects under development	112,294	-	112,294
	$ 5,954,043	$ 253,806	$5,700,237

April 30, 1996	Cost	Accumulated Depreciation & Amortization	Net Book Value
Plant and equipment	$ 2,233,009	$ 83,610	$2,149,399
Furniture and fixtures	99,018	19,581	79,437
Start-up costs	65,582	18,581	47,001
Deferred financing charges	19,370	807	18,563
Projects under development	93,586	-	93,586
	$ 2,510,565	$ 122,579	$2,387,986

3. Bank indebtedness

The bank indebtedness is secured by a general assignment of accounts receivable and bears interest at prime plus 1% (April 30, 1996 - prime plus 1.5%) per annum. The Company has a $750,000 bank line of credit which was increased to $1,250,000 subsequent to the year end.

4. Long term debt

	December 31 1996	April 30 1996
Capital leases	$ 97,893	$ 105,469
Debentures	-	464,000
Bank term loans	1,476,000	485,200
	1,573,893	1,054,669
Less current portion	(263,717)	(121,212)
	$ 1,310,176	$ 933,457

(a) Capital leases

The capital leases are secured by specific assignments over the related capital assets, with interest charged at rates ranging from 10.9% to 19.0%

(b) Debentures

The debentures bear interest at 9% per annum payable semi-annually on June 1 and December 1. They are convertible into Class A common shares at $0.15 per share on or before July 14, 1996 and at $0.20 per share thereafter. The Company exercised its option to redeem the outstanding balance of the debentures effective November 12, 1996. All of the debentures were converted to Class A common shares prior to the redemption date.

(c) Bank term loans

The bank term loans bear interest at the lender's Floating Base Rate plus 3.5% per annum payable monthly. In addition, an administration fee in the amount of $78,000 is payable in thirteen equal quarterly installments of $6,000 each, commenced with the quarter ended July 31, 1996. The loans are secured by a first charge on certain assets, excluding assets under capital leases, and by a floating charge on all other assets of the Company. As part of the first loan agreement, the Company issued to the lender a warrant entitling it to purchase 100,000 Class A common shares at $0.15 per share at any time up to February 12, 1999.

During the year, the Company negotiated a $1,500,000 term loan to finance the construction of a new facility. At December 31, 1996, $1,050,000 of the loan facility was drawn down. Subsequent to the year end, the remaining $450,000 loan facility was drawn and the funds used to pay that portion of the construction payables included in accounts payable and accrued liabilities.

As at December 31, 1996, the Company's wholly owned subsidiary, Anadime Processing & Disposal Inc., was in default of the working capital covenants under the bank term loans agreements. The lenders do not intend to act under the terms of these agreements, however, they do reserve the right to do so.

(d) Payments for the next five years

In total, $1,591,959 are payable as follows: 1997 - $275,245; 1998 - $287,316; 1999 - $257,123; 2000 - $238,740; 2001 - $188,740; and thereafter - $344,795 Included in these amounts is imputed interest of $18,067 on the capital leases

5. Share capital

(a) Authorized

Unlimited Class A common voting shares
Unlimited Class B common non-voting shares
Unlimited preferred shares issuable in series

(b) Issued

Class A shares	Number of Shares	Consideration
Balance, April 30, 1995	19,493,834	$ 1,872,895
Issued on conversion of 7.5% debentures	420,000	52,500
Issued on exercise of warrants pursuant to 7.5% debentures	200,400	25,050
Issued in settlement of interest payable on 7.5% debentures	212,404	26,550
Issued for cash	5,110,000	766,500
Issued on exercise of options	100,000	15,000
Issued on conversion of 9% debentures	4,399,990	660,000
Issuable on conversion notice received on 9% debentures	346,667	52,000
Deferred financing charges on 9% debentures	–	(147,106)
Balance, April 30, 1996	30,283,295	$ 3,323,389
Issued on conversion of 9% debentures	2,829,998	464,000
Issued on acquisition of Limited Partnership units	3,201,120	800,280
Issued for cash	3,400,000	765,000
Balance, December 31, 1996	39,714,413	$ 5,352,669

The weighted average number of Common Shares outstanding during the period was 35,861,891 (year ended April 30, 1996 - 21,270,188). The exercise of stock options and warrants reserved for issuance do not have a material effect on the earnings per share.

(c) Stock options

The Company has a stock option plan (the "Plan") pursuant to which options to purchase Class A common shares ("Common Shares") of the Company may be granted to Company directors, officers, employees and consultants. Under the Plan, no greater than ten percent of the issued and outstanding Common Shares of the Company from time to time may be reserved for issuance pursuant to the exercise of options granted. The options granted to employees are vested over three years and those granted to directors are vested immediately.

Stock options outstanding, April 30, 1995	1,588,333
Granted	170,000
Exercised	(100,000)
Cancelled	(305,000)
Stock options outstanding, April 30, 1996	1,353,333
Granted	607,500
Exercised	–
Cancelled	–
Stock options outstanding, December 31, 1996	1,960,833

These options are exercisable at prices ranging from $0.15 to $0.30 and were granted for five year terms with the latest grants expiring September 3, 2001. See Note 10 for subsequent events.

(d) Warrants

Under a private placement in September, 1996, the Company issued 3,400,000 Common Shares and 1,700,000 warrants at a price of $ 0.225 per each Common Share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at $0.30 per share on or before September 15, 1997.

Under a private placement in April, 1996, the Company issued 3,410,000 Common Shares and 1,705,000 warrants at a price of $0.15 per one Common Share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at $0.25 per share on or before October 20, 1997. See note 10 for subsequent event.

Pursuant to the bank loan agreement, 100,000 Common Shares have been reserved for the exercise of warrants at $0.15 per share on or before February 12, 1999 (note 4(c)).

6. Acquisition of Anadime Processing and Disposal Limited Partnership

The Company acquired the remaining 56% of the Anadime Processing and Disposal Limited Partnership (the "Limited Partnership") effective September 1, 1996 through a share offer. The total consideration was $800,280 payable in Common Shares at $0.25 per share. In aggregate, 3,201,120 Common Shares were issued. Certain of the directors and officers held interests in the Limited Partnership and in total 492,480 Common Shares were issued to them pursuant to this offer. The Limited Partnership has an interest in one of the Company's facilities and the total purchase consideration had been allocated to plant and equipment.

7. Discontinued operations

The operations and capital assets of Anadime Waste Inc. were sold effective August 31, 1995 and the transaction was recorded in the April 30, 1995 consolidated financial statements of the Company. During the year ended April 30, 1996, the Company's investment in Anadime Waste Inc. was written off and an additional loss of $70,348 was recorded.

8. Related party transactions

The Company financed the purchase of certain capital assets through Anadime Leasing Inc. ("Leasing"), a company owned 50% by an officer of the Company, for $3,600 (year ended April 30, 1996 -$3,500) per month. Included in long-term debt is $87,679 (April 30, 1996 - $91,990) payable to Leasing.

The Company incurred engineering fees of $11,500 during the eight month period ended December 31, 1996 (year ended April 30, 1996 - $39,400) from a company in which a Director of the Company is a partner.

For the eight month period ended December 31, 1996, the Company incurred $3,400 (year ended April 30, 1996 - $12,700) in legal fees from a law firm in which a Director of the Company is a partner.

9. Taxation

Income taxes otherwise payable by the Company in the amount of $152,000 have been eliminated through the utilization of loss carryforwards for income tax purposes. As at December 31, 1996, the Company had non-capital losses of approximately $1,200,000 available to reduce future taxable income. These losses expire from time to time after the fiscal year ending 1998. The tax benefit of these losses has not been recorded in the consolidated financial statements.

10. Subsequent events

(a) Acquisition

On February 17, 1997, the Company completed the purchase of 100% of the shares of Cutbank Oil Treatment Facilities Inc. ("Cutbank"), a private Alberta company. The acquisition was effective January 1, 1997. Cutbank owns a processing and disposal facility in Alberta.

The purchase price was allocated as follows:

Capital assets	$ 2,755,800
Working capital deficiency	(80,800)
Deferred income taxes	(55,800)
	$ 2,619,200

Consideration consists of the following:

Cash	$ 1,919,200
1,000,000 Common Shares	700,000
	$ 2,619,200

As part of the acquisition of Cutbank, the Company had agreed to make an additional cash payment to the vendors on February 17, 1999 if the trading price of the Company's share is less than $1.00 per share (the "Price Difference per Share"). The Price Difference per Share will be paid to the vendors for any of the one million Common Shares issued pursuant to the acquisition and still held by the vendors on that date. Based on the Company's current share trading price, management estimates that the contingent liability is nil.

(b) Issuance of shares

To finance the acquisition of Cutbank, the Company raised a total of $1,897,000 through the issuance of 5,693,333 Common Shares as follows:

	Number of Shares	Consideration
Private placement	4,000,000	$ 1,600,000
Commission expense		(60,000)
Exercise of options by directors & officers	1,263,333	249,500
Exercise of warrants by directors	430,000	107,500
	5,693,333	$ 1,897,000

(c) Stock option grants

On January 9, 1997, the directors were granted stock options for an aggregate of 1,000,000 Common Shares and an officer of the Company was granted an option for 25,000 Common Shares, all at $0.40 per share. In addition, effective February 6, 1997, the Board of Directors approved the granting of an option for 125,000 Common Shares to a newly appointed officer of the Company at $0.70 per share.

Directors

Jake Halldorson
Chairman of the Board
Founding Partner
Colt Engineering

Owen Pinnell
President and CEO
Anadime Corporation

Gedd Cantwell
Investment Banker
RBC Dominion Securities

Jim Coleman
Lawyer
Macleod Dixon

Officers

Owen Pinnell
President and CEO

Gloria Wong
Vice President Finance and CFO

John Fitzgerald
Secretary

Norbert Hollman
Vice President, Operations
Anadime Processing & Disposal Inc.

Alan Houghton
Vice President, Project Development
Anadime Processing & Disposal Inc.

Transfer Agent and Registrar

Montreal Trust Company
Calgary, Alberta

Auditors

KPMG
Calgary, Alberta

Legal Council

Macleod Dixon
Calgary, Alberta

Stock Exchange

Alberta Stock Exchange
Symbol: AEM

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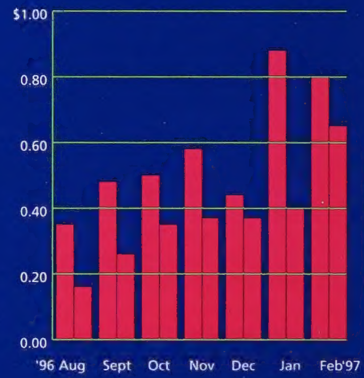
Fax: (403) 795-2587

High and Low Stock Prices for 7 Month Period Ending Feb.1997



Stock Market Information

	1996		1995		1994	
	High	Low	High	Low	High	Low
First Quarter	.18	.13	.17	.13	.19	.09
Second Quarter	.18	.12	.18	.12	.15	.08
Third Quarter	.48	.16	.15	.10	.15	.10
Fourth Quarter	.58	.35	.18	.10	.18	.10

Annual General Meeting

Calgary, Alberta

The Calgary

Petroleum Club

Thursday, May 1, 1997

3:00 pm

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